

**PROPOSED AMENDMENTS TO
THE DISTRIBUTION SYSTEM CODE
AND
THE RETAIL SETTLEMENT CODE**

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Section 7.2.3, the second paragraph of section 7.3.2 and section 7.4.3 of the Retail Settlement Code are revoked on the day that section 2.4.6.1 of the Distribution System Code comes into force.

Section 1.2 of the Distribution System Code (the "Code") is amended to add the following definitions:

"competitive retailer" is a person who retails electricity to consumers who do not take SSS.

"disconnect/collect trip" is a visit to a consumer's premises by an employee or agent of the distributor to demand payment of an outstanding amount and to shut off distribution of electricity to the consumer failing payment.

Section 1.7 is amended by adding the following paragraphs at the end of the section:

Any amendments to this Code shall come into force on the date the Board publishes the amendments by placing them on the Board's website after they have been made by the Board, except where expressly provided otherwise.

Sections 2.4.6.1, 2.4.6.2 and 2.4.9 to 2.4.27 come into force on the day that is 3 months after these sections are published on the Board's website after having been made by the Board.

Section 2.4.1 is amended by adding the following sentence at the end of the section:

A distributor shall comply with its Conditions of Service but may waive a provision of its Conditions of Service in favour of a consumer or potential consumer.

Chapter 2 of the Code is amended by adding the following sections:

2.4.6.1 A distributor's Conditions of Service shall include the distributor's security deposit policy which shall be consistent with the provisions of this Code. A distributor's security deposit policy shall include at a minimum the following:

- a list of all potential types/forms of security accepted;
- a detailed description of how the amount of security is calculated;

- limits on amount of security required; 15
- the planned frequency, process and timing for updating security; 16
- a description of how interest payable to consumers on deposits is determined; 17
- criteria consumer must meet to have security deposit waived and/or returned; and 18
- methods of enforcement where a security deposit is not paid. 19

2.4.6.2 Subject to this Code and a distributor's Conditions of Service, a distributor may use any risk mitigation options available under law to manage consumer non-payment risk. A distributor shall not discriminate among consumers with similar risk profiles or risk related factors except where expressly permitted under this Code. 20

2.4.9 A distributor may require a security deposit from a consumer who is not billed by a competitive retailer under retailer-consolidated billing unless the consumer has a good payment history of one (1) year in the case of a residential consumer, five (5) years in the case of a non-residential consumer in a <50 kW demand rate class or seven (7) years in the case of a non-residential consumer in a >50 kW demand rate class. A distributor shall provide a consumer with the specific reasons for requiring a security deposit from the consumer. 21

2.4.10 For the purposes of section 2.4.9, a consumer is deemed to have a good payment history if, during the time period set out in section 2.4.9, the consumer has received no more than one disconnection notice from the distributor, no cheque given to the distributor by the consumer has been returned for insufficient funds, no pre-authorized payment to the distributor has been returned and no disconnect / collect trip has occurred. If any of the preceding occurs due to an error by the distributor, the consumer's good payment history shall not be affected. 22

2.4.11 Despite section 2.4.9, a distributor shall not require a security deposit where a consumer provides: 23

- (a) a letter from another electricity distributor or gas distributor in Ontario confirming a good payment history with that distributor for the relevant time period set out in section 2.4.9; or 24
- (b) a satisfactory credit check made at the consumer's expense. 25

2.4.12 The maximum amount of a security deposit which a distributor may require a residential consumer to pay shall be calculated in the following manner: 26

billing cycle factor x estimated total electricity bill based on the average load for the class or subclass in the distributor's service area measured over the most recent 12 month period for which information is available. 27

2.4.13 The maximum amount of a security deposit which a distributor may require a non-residential consumer to pay shall be calculated in the following manner:

billing cycle factor x estimated electricity bill based on the consumer's average monthly load with the distributor during the most recent 12 consecutive months within the past two years

Where usage information is not available for the consumer for 12 consecutive months within the past two years, the consumer's average monthly load shall be based on a reasonable estimate made by the distributor.

2.4.14 For the purposes of calculating the estimated electricity bill under section 2.4.12 or 2.4.13 for a consumer who is billed under SSS or distributor-consolidated billing, the distributor shall use 4.3 cents per kilowatt hour as the commodity price of electricity for consumers who are low-volume or designated consumers who are charged that amount for the commodity of electricity and the appropriate rate used by the IMO to calculate prudential obligations for wholesale market participants who are not distributors or low-volume or designated consumers for all other consumers. For the purposes of calculating the estimated bill under section 2.4.12 or 2.4.13 for consumers who are billed under split billing, the commodity portion of the bill shall be estimated at zero.

2.4.15 Subject to section 2.4.6.2, a distributor may in its discretion reduce the amount of a security deposit which it requires a consumer to pay for any reason including where the consumer pays under an interim payment arrangement and where the consumer makes pre-authorized payments.

2.4.16 For the purposes of sections 2.4.12 and 2.4.13, the billing cycle factor is 2.5 if the consumer is billed monthly, 1.75 if the consumer is billed bi-monthly and 1.5 if the consumer is billed quarterly.

2.4.17 Where a consumer has a payment history which discloses more than one disconnection notice in a relevant 12 month period, the distributor may use that consumer's highest actual or forecast monthly load for the most recent 12 consecutive months within the past two years for the purposes of making the calculation of the maximum amount of security deposit under section 2.4.12 or 2.4.13.

2.4.18 The form of payment of a security deposit for a residential consumer shall be cash or cheque at the discretion of the consumer or such other form as is acceptable to the distributor.

2.4.19 The form of payment of a security deposit for a non-residential consumer shall be cash, cheque or an open-ended and irrevocable letter of credit from a bank as defined in the Bank Act, 1991, c.46 at the discretion of the consumer. The distributor may also accept other forms of security such as surety bonds and third party guarantees.

2.4.20 A distributor shall permit the consumer to provide a security deposit in installments. Where a security deposit is collected in installments, the security deposit shall be collected over no more than 4 months.

2.4.21 Interest shall accrue monthly at the Prime Business Rate as published on the Bank of Canada website on security deposits made by way of cash or cheque commencing on receipt of the total deposit required by the distributor. The interest accrued shall be paid out at least once every twelve months or on return or application of the security deposit or closure of the account, whichever comes first but the distributor may set it off against other amounts owing to the distributor.

2.4.22 Where a consumer who has paid a security deposit develops a good payment history which would have been sufficient under section 2.4.9 so as to exempt the consumer from the obligation to pay a security deposit, the consumer may demand the return of the security deposit and the distributor shall promptly return it.

2.4.23 A distributor shall review a consumer's security deposit at least once every twelve months to determine whether the entire amount of the security deposit is to be returned to the consumer as the consumer has developed a good payment history which would have been sufficient under section 2.4.9 to exempt the consumer from the obligation to pay a security deposit or whether the amount of the security deposit is to be adjusted based on a re-calculation of the maximum amount of the security deposit under section 2.4.12 or 2.4.13.

2.4.24 Where the distributor determines in conducting a review under section 2.4.23 that some or all of the security deposit is to be returned to the consumer, the distributor shall promptly return this amount to the consumer. Where the distributor determines that the maximum amount of the security deposit is to be adjusted upward, the distributor may require the consumer to pay this additional amount.

2.4.25 A distributor shall promptly return any security deposit received from the consumer upon closure of the consumer's account, subject to the distributor's right to use the security deposit to set off other amounts owing by the consumer to the distributor.

2.4.26 A distributor shall apply a security deposit to the final electricity bill prior to the change in service where a consumer changes from SSS to a competitive retailer that uses retailer-consolidated billing or a consumer changes billing options from distributor-consolidated billing to split billing or retailer-consolidated billing. A distributor shall promptly return any remaining amount of the security deposit to the consumer. A distributor shall not pay any portion of a consumer's security deposit to a competitive retailer. Where a change is made from distributor-consolidated billing to split billing, a distributor may retain a portion of the security deposit amount that reflects the non-payment risk associated with the new billing option.

2.4.27 For the purposes of sections 2.4.9, 2.4.12 and 2.4.18, a seasonal consumer shall be deemed to be a residential consumer.